

E-01933A-15-0100

ORIGINAL

ARIZONA CORPORATION COMMI



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UTILITY COMPLAINT FORM

RECEIVED

Investigator: Tom Davis

2015 APR -9 P 3:31

Priority: Respond Within Five Days

Opinion      No. 2015 - 121865

Date: 4/8/2015

Complaint Description:      08A Rate Case Items - Opposed  
N/A Not Applicable

Complaint By:      First: Terry      Last: Finefrock

Account Name: Terry Finefrock

Home: (000) 000-0000

Street:

Work: (000) 000-0000

City:

CBR:

State: AZ      Zip: unknown

is:

Utility Company: Tucson Electric Power Company

Division: Electric

Contact Name:

Nature of Complaint:

OPPOSED

E-01933A-15-0100

April 7, 2015

Commissioners Bitter-Smith, Burns, Forese, Little, & Stump;  
Arizona Corporation Commission 1200 W. Washington Street Phoenix, AZ 85007  
Via email with copy to eDocket

In re: Tucson Electric Power Docket E-01933A-15-0100 Net Metering Tariff

Commissioner,

I am writing to suggest that this action be deferred and included in the next full base rate review. If that's not possible please consider the following comments and revisions.

General

The requested actions include dimensions and negative impacts of a magnitude that are much greater than any recently enacted by other Arizona utilities.

Tucson Electric Power Company's (TEP) essential premise that DG customers, customer's that self-generate a portion or all of their energy requirements, shift costs to other customers is not factual as those customers pay full retail rates for the net energy that they receive from TEP. TEP's premise that a customer that uses less energy than another customer should pay more is not appropriate. It's similar to the concept of a partial standby requirement surcharge which was expressly prohibited for net metering customers by the Commission. It also unfairly assigns the cause for lower sales and the consequent lower recovery of expected fixed costs, if that condition actually exists, to a single, small and narrowly defined group of customers which is discriminatory in nature.

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Arizona Corporation Commission  
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TEP has not provided any evidence that the approved current base rates and surcharges they requested, and the sales volume on which they were based, are not collectively performing as intended, nor that the financial issues, if present, are the result of factors other than net metering. Such as TEP's chronic non-competitive increases in the price of their energy exacerbated by their selected generation technology's fuel and emission surcharges, Arizona's depressed economy and customer responses to reduce their usage and energy costs may also be factors for the alleged deficiency.

Per the Arizona Department of Administration, Arizona utilities receive the highest average wage, \$92,000, of any industry in Arizona, they employ or could employ the best and brightest who are capable if managed properly of reducing, or at least controlling and minimizing, their ever increasing costs, optimizing benefit to ratepayers as contemplated by the Arizona constitution that established the Arizona Corporation Commission. That labor cost component, without equal or better return on that investment, is a significant burden on ratepayers and our economy. A performance based rate and surcharge structure, versus the current cost plus profit as a percent of cost rate structure, would provide the incentive, and consequence, to achieve those objectives; a rate that allows recovery of approved current costs, but pays the profit (ROR) portion of the rate via sharing of 'permanent' cost reductions to previously approved costs. For conceptual example, reduce costs by 10%, reduce the rate by just 6% (ratepayer value) and shareholders EARN 4%. This kind of performance-based, competitive thinking is being adopted by more than a few forward thinking public utility commissions and utilities in the United States.

### Customer Rate Equity and Fairness

TEP has not provided any comprehensive evidence that they have considered all avoided costs provided by the solar energy generated by their customers nor that they are not collecting all fixed costs anticipated by current rates and associated with net metering customers.

TEP receives significant profit and benefit via the selling of customer generated energy to other customers within the distribution grid at their standard retail rates which although they incurred none includes recovery of generation and transmission costs. An analysis of an R-01 bill performed by TEP analyst in February 2013 indicates that transmission & generation costs represent 74% (7.3c/kWh) of the 9.9c/kWh charge; only 26%, 2.6c/kWh was to recover the Distribution/Delivery costs which may be partially applicable to DG energy sold to another customer by TEP. I also note that TEP's generation component cost is greater during the summer resulting in greater benefit from the locally generated DG energy to the system; solar peak energy generation is coincident with system peak energy demand, offsets and reduces use of expensive rapid response peaker generation which per TEP's 2012 Levelized Cost of Conventional Resources ranges from 26 to 29c/kwh.

TEP's filing cites projected 2015 DG generation of 229,894 MWh about 2.5% of their total projected sales of more than 9,000,000 MWh. And most of that generation is used by the DG Customer, so generates no system cost, requires no recovery of costs, nor does it result in the shifting of costs to any customer.

TEP's single focus on just net metering customers, a relatively small group of customers, is also unfair and discriminatory. For example, per TEP/Roshka October 11, 2011 correspondence to Commissioner Newman 22% of TEP's common system generation is sold to 43 Industrial & Mining class customers. My understanding is that a couple of Mining customers receive most of that energy via special contracts protected by non-disclosure agreements at a cost of about 4c/kwh, less than cost, shifting recovery of a significant amount of common system costs to all other customers. If that information is substantially factual, and TEP and the Commission are sincerely concerned about fairness and the shifting of costs to other customers, the Commission should act to adjust those special contract rates to have those customers pay their fair share for the energy they actually purchase and benefit from. That action would also provide a significant reduction in energy costs to almost all other customers.

### Suggested Responses to TEP's Application

1. Reject the application in its entirety, providing guidance to include it in future base rate case. Their claim

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regarding unrecovered fixed costs, and the causes, requires comprehensive analysis of all cost and revenue channels. Note: Fortis/TEP agreed to defer rate request changes as part of the merger agreement.

2. Reject their request to change the true-up and purchase of excess customer generated energy from the current annual period to the time of generation. This part of their request will devastate the Arizona solar industry and eliminate customer choice regarding generation options.

The annual accounting period is a foundational and essential element of the net metering rules that all parties approved and responsibly recognizes the seasonal variation in customer usage and energy production, associated with solar generation. Customer loads also vary from hour to hour, office loads are minimal on weekends, yet solar systems continue to generate energy, which would be delivered to TEP, sold by TEP at retail rates, and customers paid less than their systems cost to generate it.

As TEP is very competent, understands these load/generation dynamics, and this part of their application is not necessary to achieve their stated objective to recover any unrecovered fixed costs, this dimension of their

application could be interpreted as an attempt to eliminate their competition, customer owned solar systems and installers, lost sales to customer DG.

This action if approved would result in much smaller customer system sizes and costs, significant reduction in the aforementioned benefits to the system, and significant damage to Arizona's solar industry and economy.

TEP provides neither foundation nor explanation for why this change is necessary and appropriate. If approved their reduced pricing for annual excess customer energy should be sufficient to address their stated primary concern to recover fixed costs.

### 3. RE Credit value

TEP recently acquired approval for a TEP Owned DG Solar Rooftop Program that fixes the customers cost/kWh for 20-years at their current retail rate/TEP charge. TEP assured the Commission that they were not unfairly competing with other solar system providers and that the rate did not shift costs to other customers. If that is factual, there's no need to adjust the current value at which customers that own their systems are credited.

TEP provides no logic for using their most recent utility scale PPA to set the proposed value of 5.84 c/kWh for the purchase of net excess energy generated by a much smaller and more expensive DG systems. Also, if their cited PPA includes annual escalators, the cost/kWh should be calculated for the term of the PPA (Sum of each years expected production of kWh x the price/kWh for that year, divided by the total expected production of kWh).

It would be logical and justifiable to establish the RE Credit at a minimum value equal to the generation and transmission costs avoided by DG that are included in approved base rates (7.3c/kWh) associated PP&A and ECA surcharges.

### 4. Effective Date of Changes (If approved)

As TEP's interconnect application requires significant customer and developer expenditures, that all permits, the system contract and detailed engineering studies be documented and completed and submitted with the application, and there are likely many solar companies, commercial and residential DG customers involved in the planning and development of solar systems, the requested effective date should be no less than 5-months after the date the Commission formally approves it.

In closing, I appreciate the opportunity to offer comments, suggested actions and perhaps help the Commission to define policy and rate structure that allows the recovery of reasonable costs and that optimizes benefit to ratepayers.

**ARIZONA CORPORATION COMMISSION**  
**UTILITY COMPLAINT FORM**

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Sincerely, Mr. Terry Finefrock, TEP Ratepayer

Distribution:

D. Tenney; D. Posefsky, RUCO

\*End of Complaint\*

**Utilities' Response:**

**Investigator's Comments and Disposition:**

4/8/15: Entered for the record and docketed

\*End of Comments\*

**Date Completed: 4/8/2015**

**Opinion No. 2015 - 121865**

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